

The Strategic Partnership Between Samsung Electronics and UNICEF India

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21세기 들어 기업의 사회적책임 (Corporate Social Responsibility: CSR)에 대한 논의가 활발해짐에 따라 CSR을 기업경영에 적극적으로 활용하는 사례가 점차 늘고 있다. 국제개발협력에서도 민관협력(Public Private Partnership: PPP)을 통해 원조의 효과성을 제고하려는 시도가 확대되고 있는 가운데 본고에서는 인도에서의 삼성전자-유니세프간의 전략적 제휴사례분석을 통해 국제개발분야에서의 효과적인 기업의 CSR 경영모델을 제시하고자 한다.

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I. QUESTIONS AND SCOPE OF THE PAPER

This paper will examine the possibility of an alliance between Samsung India Electronics Ltd. and the United Nations Children's Fund (UNICEF). With the depletion of UK Department for International Development (DFID) funding, UNICEF India has been actively seeking alliances with the business community that demonstrate a commitment to UNICEF's core values. In particular, UNICEF plans to collaborate with Korean multinational corporations such as Samsung, whose

growth in the Indian market has been remarkable over the past decades.

If UNICEF approaches Samsung, Samsung's CSR manager Hoon Seol would have a hard time making a decision. A partnership with this highly recognized international organization promises to increase Samsung's brand image and the effectiveness of every dollar they contribute. The potential collaboration with UNICEF is consistent with Samsung's long-standing support for children's education. If faced with the decision, should they enter into a partnership? If yes or no, why? If yes, what mutual interests can the two parties find? How will Samsung evaluate and monitor the partnership's performance?

In order to answer the questions above, the paper will briefly review Samsung's business in India and their CSR activities. Given that CSR at Samsung is at its incubation stage and only limited information is available, the scope of the paper is not evaluating the current CSR practices of Samsung but designing a framework with which Samsung can build their CSR model to build the best alliance. This analysis will provide an example of what factors should be considered in identifying and developing partnerships between international organizations and private partnerships.

II. SAMSUNG'S BUSINESS AND CSR IN INDIA

1. SAMSUNG INDIA'S BUSINESS OVERVIEW

Samsung India Electronics Ltd. (SIEL) is a subsidiary of Samsung Electronics Company Ltd.¹⁾ of South Korea, which is a global leader in semiconductors, telecommunications, digital media and digital convergence technologies, with its core competencies in semiconductors and CDMA technology. Samsung India is the hub for Samsung's Southwest Asia Regional operations and it contributes 2% of the company's global turnover.

From being a virtually unknown entity in 1995, Samsung India today enjoys sales of over US\$ 1 billion in just a decade of operations in the country. In fiscal 2005, Samsung reported revenues of approximately \$55.9 billion, up by 0.2% on the previous fiscal year. Yet, net income was down

1) Their leading products includes D/S Rams, TFT-LCDs, CDMA handsets, computer monitors, TV and Flash. In 2004, Samsung Electronics' sales was US \$55.2 Bn and net income of US \$ 10.3Bn, employing approximately 113,000 people in over 90 offices in 48 countries.

by 29.2% to \$7.4 billion. They are a market leader in high-end digital products such as LCD and plasma TVs in India with 45% and 37% shares, respectively. In the India home appliance market in India, Samsung has a market share of 15-20%, holding second position to LG.²⁾ In the telecom space, Samsung is the second-largest selling mobile phone brand next to Nokia (Exhibit 1).

Samsung has a manufacturing complex located in Noida near Delhi, which is 50% locally employed (Exhibit 1). It recently signed a memorandum of understanding with the Tamil Nadu government to build a new television and monitor plant in Chennai for the domestic as well as the export market.

“Made in India” products are being exported to the Middle East and CIS countries. Samsung has 1800 retail shops and after-sales service centers across the country. 18% of Samsung employees work in R&D.

2. SAMSUNG CSR OVERVIEW

CSR at Samsung

Based on its CSR vision (Exhibit 2), Samsung has deployed various CSR programs and projects. Samsung supported the “Hope Incubator Project,” by Development Alternatives, a Delhi-based NGO. The Project created and implemented a fund designed to help young first-time entrepreneurs successfully run their own businesses in Bundelkhand, Punjab and other areas. Samsung has also supported the National Centre for Promotion of Employment for Disabled People (NCEPDP) in providing scholarships to brilliant disabled students and setting up the Disability Placement Unit, which handholds hundreds of disabled people in need of jobs. In addition, Samsung regularly organizes “Factory Visits for School Children” to the manufacturing facility at Noida as well as educational quiz programs for school children. The company set up an Olympic Fund providing scholarships to top Indian athletes and organized the World Cyber Games as well as crickets. Finally, Samsung trains its vendors on eco-partnership³⁾ so that the components manufactured by them can meet strict environmental standards (Exhibit 3-1). However, most programs had taken place in the past, but not this year when Samsung has been facing shrinking market share and revenue falls. The general comments on the CSR at Samsung have some pitfalls. Compared to other Korean multinational companies such as LG and Hyundai, Samsung’s CSR is at a minimal level (Exhibit 3-2, 3-3).

2) Samsung has market share in refrigerators (16%), washing machine, (18.6%), air-conditioners (21%) as well as microwaves (23%).

3) Eco-partner means certified suppliers those can supply eco-friendly parts and have an environmental system.

Evaluation of Current CSR

(1) Not part of the business processes

Since Samsung's programs are not part of the corporate strategy, the sustainability of CSR activities is a problem, especially in times of downturn. "CSR is easily ignored during rainy days," Hoon said in an interview in August 2006. "We are suffering from a shrinking market and when we couldn't meet our quarterly goals, CSR was out of our attention."

(2) Weakness in managerial system

In terms of management, Hoon, a manager in the HR department, is in charge of all of the CSR at Samsung Electronics. However, he himself does not know exactly which of their CSR projects are continuing and which are not. What is on their website is from PR department and does not reflect the current status.

(3) Boundary of vision statement is too broad

The mission is overly generalized and gives few ideas of what Samsung's vision is trying to achieve with their social contribution. In order to operationalize the mission statement as guidance for the company's CSR strategies, it should have a clear boundary and lay out evaluation tools.

(4) Stretched too thin

Samsung has been stretching their modest resources too thin for many initiatives and the impact has been small. Since they are involved in many different projects, they have less of a chance to develop their expertise in certain areas. Thus, Samsung needs to identify clusters of work where they believe that they can have the most impact, advantage and experience.

(5) Communication with their stakeholders

The fact that Samsung India does not have an annual CSR report or brochure implies that their CSR has not been communicated well to their stakeholders, who might have engaged in Samsung's efforts. Even in the annual Samsung Group's CSR report, there is no citation about Samsung India.

The Goals and drivers of CSR at Samsung

(1) Indian Context

It will be useful to map out the landscape of CSR in India to set the goals of Samsung in the context where it operates. CSR in an emerging market such as India has yet to realize its full potential not because of the lack of programs but because of the lack of clear metrics for evaluating their actions.⁴⁾ A UNDP survey⁵⁾ demonstrates that what drives CSR is a desire to be a good corporate citizen, to improve brand reputation, and to enhance relationships with the local community.⁶⁾ The biggest barriers to adopting CSR, however, are the lack of linkage to financial success as well as lack of visible results. The survey demonstrated that respondents were unanimous in demanding that CSR is included in the domain of corporate action, so their focus has shifted from charity and employee focus to a liberal-stakeholder model of CSR. The respondents stated that their CSR performance is of significant interest to the employees (75%), the customers (66%), local community (60%) and the regulatory bodies (63%). A recent global survey by PricewaterhouseCoopers, in conjunction with the World Economic Forum, indicates the same results.⁷⁾

(2) The Strategic Triangle of CSR

Reflecting these findings, CSR should include three components: social value, business case, and capacity of the company which the strategic triangle (Exhibit 4). According to the MSC framework,⁸⁾ CSR should generate considerable value chain. To carry out its valuable mission, the firm should have sufficient support from its constituencies. At the same time, the organization has to have abilities and skills to properly use resources from the public support toward its mission. Grounded on the goals above, this paper will develop a framework with which the Mission Support and Capacity of Samsung's CSR is well aligned.

(3) Goals and Drivers of CSR

Traditional views on CSR as solely philanthropic goal, businesses tools or public relations are

4) Ritu Jumar, the State of CSR in India 2004, National Seminar on Corporate Social Responsibility

5) Corporate Social Responsibility Report 2002

6) Another important factor is the state philosophy of the founding fathers and opportunities

7) More than two thirds of the 1100 CEOs polled believed that proper exercise of corporate social responsibility is important to profitability and can prevent the loss of customers, shareholders and even employers.

8) Kaplan and Leonard, Mission, Support, Capacity (MSC) framework, 2005

limited in many ways (Exhibit 5). Instead, the new CSR model has critical elements working together toward sustainable CSR goals and drivers. CSR should be designed to increase:

- | | |
|--|--------------|
| o Business case | |
| o Full integration of CSR with the rest of companies | Support |
| o Engagement of stakeholders | |
| o Maximization of social values | Social Value |
| o Relation with the companies' core competence | Capacity |

When doing good is also good for the financial performance of the business in the form of revenue growth, cost saving⁹⁾, CSR would become the internal business processes rather than standing alone separately from the rest of the firm. Inviting multi faceted stakeholders to firms' CSR efforts will provide motivation for CSR and ensure continuous checks and balance. These elements fall to one of the areas in the strategic triangle.

Developing Samsung's CSR Framework

As a next step, analysis of Samsung's business in the Indian market would give a clear idea of how the CSR goals and critical elements can be actually utilized in their business environment.

(1) Support driven from stakeholders by reengineering CSR as a business model

In order to make CSR as a business necessity and appeal to the interests of shareholders, it is critical to look at Samsung's market positioning. Among various Samsung products, analysis in this paper is focused on mobile handsets considering its potential application for CSR strategy.

a. Market analysis

India's blossoming economy, rising per capita income and growing middle class have been reflected in increased expenditure by the Indian consumer on luxury and non-essential goods.¹⁰⁾ In particular, India is one of the fast growing mobile phone markets: Mobile phone subscriber base in 2005 grew at an astounding rate of 47% to reach approximately 75.3 million at the end of 2005, up from 48

9) Revenue growth and cost saving will be realized by increased market access, productivity, access to capital, risk management and license to operate, human capital and brand value.

10) Datamonitor, Consumer Electronics in India Industry Profile, June 2006, The consumer electronics market has shown double-digit growth persistently since the beginning of the decade.

million at the end of 2004.¹¹⁾

Two interesting aspects are the role of young people and rural population in the mobile phone market. Techno-savvy teenagers are completely easy with new technology and drive India's mobile phone revolution.¹²⁾ Since most of them still depend on their parents for pocket money, budget brands would appeal to price-sensitive young consumers. Another interest aspect is that India's massive mobile phone market is expanding to rural areas. As growth in urban areas begins to plateau, mobile operators are eyeing the vast rural market, where 70 % of India's more than one billion people live.

This is a testimony of opportunities that multinational corporations can do business with the extremely huge population at the base of the global economic pyramid. Further, India has the potential to become a test bed for developing solutions that address the unmet needs of the 4 billion low-income people in the world. Yet, Samsung has not fully appreciated the potential of the 500-million¹³⁾ low-income market in India.

According to the Wall Street Journal¹⁴⁾, Samsung's focus on slim mid- to high-end cell phones has brought about losses in market share for the company this year in contrast with gains at big rivals Nokia and Motorola.¹⁵⁾ Garner also indicates that Samsung's market share in the third quarter slipped to 12.2% from 12.5% a year earlier. On contrast, Nokia and Motorola saw rising market share¹⁶⁾ from stronger sales with lower-cost models despite the erosion of their profit margins.

Mr. Lee, president of the Telecommunications Division at Samsung said that if they dramatically cut their average selling prices, they could easily reach 20% market share but they are not sure if this would be the right move. Samsung's dilemma is whether they have to trade off sales volumes with their top-end image on which their success has been based. From a low-quality brand image, Samsung has consciously made a shift in its strategy, entailing a greater focus on high-margin businesses with cutting-edge technology and world-class design since the beginning of the 21st century.

11) NE Asia Online, India's Mobil-Phone Market Booms

12) BBC News 2004 April 05 by Zubair Ahmed

13) One billion population * 25% of population below poverty line, CIA the World Fact Book 2006

14) Yun-Hee Kim, The Wall Street journal, December 2006

15) Samsung's average handset selling price in the third quarter of 2006 was \$175, compared with Motorola's \$131 and Nokia's \$124. Nokia sells a basic handset for \$44. Motorola plans to launch a mobile phone for under \$30.

16) Nokia's market share rose to 35.1% from 32.5%; Motorola's market share increased to 20.6% from 18.7%.

Dealing with the dilemma, CSR works two ways. Products for Tier 4 consumers can be combined not with a low-end brand image but with the company's commitment to lift the life of millions of people by sharing positive externalities of state-of-the-art technology. In addition, Samsung can still provide what it calls premium models that fetch slightly higher prices than its rivals even in low-end markets.

Yet, serving Tier 4 markets is not without challenges. Prahalad and Hart pointed out that, contrary to more conventional investment strategies, multiple actors¹⁷⁾ must be involved to develop a country-wide infrastructure tailored to the needs and challenges of the market¹⁸⁾. In particular, four elements—"creating buying power, shaping aspirations, improving access, and tailoring local solutions" are the keys to a thriving bottom-end market.¹⁹⁾

Therefore, *one of the best allies for Samsung is an organization which helps them to achieve these four factors and reach out to population at the bottom of the economic pyramid*. With the credibility and local knowledge Samsung's allies have, Samsung will gain access to the Tier 4 markets of huge promise. Examples of these kinds of relationships are alliances with local firms and cooperatives such as the Khira District Milk Cooperative in India.²⁰⁾ A lesson from this collaboration is that the best approach for national corporations is to marry local capabilities and market knowledge with global best practices, rather than blindly bringing the Western system.

b. Consumer and marketing strategy

To meet the changing needs of consumers up close, Samsung has decided to spend half of its Rs²¹⁾ 2.8 billion advertising money of below the line marketing (BTL) strategy, an industry euphemism for consumer promotions, on-ground events, and road shows. Samsung has embarked on an ambitious 135-city "Samsung Dream Home Workshop," literally showcasing its products where the consumers cannot miss them: shopping malls, multiplexes, and community centers. This strategy stems from the company's recognition that advertising-led brand salience is no longer enough to translate into sales.

17) Local governmental authorities, nongovernmental organizations, communities, financial institutions and other companies

18) Prahalad and Hart, *The Fortune at the Bottom of the Pyramid*

19) Prahalad and Hart, *The Fortune at the Bottom of the Pyramid*

20) The uniqueness of the cooperative is its blending of decentralized organization with the efficiencies of a modern processing and distribution infrastructure. As a result, previously marginal village farmers are earning steady incomes and being transformed into active market participants.

21) Rs. 44.48=1\$

Not only the new and expensive BOL marketing strategies but also CSR can be a tool to catch changing consumer trends and communicate with them face to face. Through social responsibility targeted for non-traditional consumers such as villagers and young consumers, Samsung can reach out to understand their lifestyles. These understandings can be utilized to customize its products to the new customers in aspects of product design, ergonomics, and interface. Integrated flashlights where there is constant power cut, software that works in multiple local languages, and slip-free grips during the hot Indian summer are good examples of local sensitivities to product designs.²²⁾

c. Employees

In India overall, absenteeism of employees is very high, up to 30%. They have various excuses, from just simply being a rainy day, to having a funeral for one their relatives, according to the interview with Youngsik Jeong, the president of the Korean Business Association. The Head of the Samsung Noida factory, Young-Bok Lee said that having close interactions with employees and understanding their mind-sets helps deal with the absenteeism. He has visited all of his employees' houses and attended their wedding ceremonies in an effort to be sensitive to their culture, stimulate communication and encourage their hard work. Leveraged by these efforts, Samsung's manufacturing facility has high productivity, producing 100 home appliance products per person.

Along with this management scheme, employee volunteering can also help boost moral standards, build team spirit, and increase communication between native workers and foreign managers. To get employees excited and fully involved in the volunteerism, one key implementation tactic would be to give full ownership of volunteer programs to employees from program plan to evaluation.

Otherwise, employees would consider volunteer activities as a part of their routine requirements rather than enjoying them spontaneously, said Jeun Jung, former Samsung Electronics employee. Samsung Electronics has a top-down corporate culture and employee volunteerism is often pushed from the top, which does not promote teamwork or employee morale.

d. External organization

The International Organization for Standardization (ISO) and the United Nations Global Compact Office have been collaborating on the development of the future ISO 26000 standard, giving

22) Nokia 1100, one of the most popular cell phones in rural India has these features.

guidance on social responsibility.²³⁾ The standard will describe characteristics for CSR activities and results, aimed at the achievement of the optimum degree of order. As a global multinational corporation, Samsung needs to meet these ISO standards in their social responsibility programs to keep their reputation as one of the most innovate and fast-growing global brands.

(2) Value proposition

CSR should have a higher impact on solving social problems that affect the vast majority of the most needy group. CSR programs must be designed to carry the largest net benefit in the long-run. Programs that eliminate the poverty and inequality of marginalized rural populations and increase their self-reliance create substantial public value. On the other hand, Samsung's current sports sponsorship does not promote larger social gains.

(3) Competence

According to the SWOT (Strength, Weakness Opportunity and Threat) analysis of Global Market Information, Samsung is known for “its technical expertise, innovative design, introduction of new features²⁴⁾ and integrated global marketing initiatives.” With its expertise, Samsung would have the ability to produce quality products for the sachet market at affordable prices. This will create high demand among rural, low-income, or young populations, which will be purchasing mobile phones at a rapid pace and low acquisition cost. To achieve this goal, Samsung's CSR should aim at contributing to the development of telecommunication infrastructure with the government, mobile manufacturers and telecommunication companies to expand demand from the new consumer segment.

IV. PARTNERSHIP WITH UNICEF INDIA

The framework set out in the previous discussion will help identify whether UNICEF is a right partner for Samsung to achieve their CSR goals and strategies.

23) The standard will be developed by all stakeholders including UN Government, Industry, labor NGO's, consumers, involved in this process to ensure balanced representation.

24) i.e., Samsung pioneered the introduction of several world first features its first dual screen phone, the first 56K LCD color phone, the first phones with polyphonic ringtones, the first phones with rotating lens camera and the first gender concept phones.

1. UNICEF'S MISSION AND FINANCIAL STRUCTURE

UNICEF is mandated by the United Nations General Assembly to advocate for the protection of children's rights, to help meet their basic needs and to expand their opportunities to reach their full potential. UNICEF's budget is not part of the assessed dues paid by member governments of the UN. Instead, financial support for UNICEF is derived entirely from voluntary contributions made by governments, foundations, corporations, and individuals.

2. GUIDELINES FOR WORKING WITH THE BUSINESS COMMUNITY

UNICEF applies guiding principles to choose alliances.²⁵⁾ UNICEF looks for alliances with entities that have records of socially-responsibility behavior, have a positive public image, and employ responsible labor and environmental practices.²⁶⁾ UNICEF does not endorse any particular company, product or industry sector and it has a standard policy regarding general usage of their names, logos, and emblems.

3. WAYS OF COLLABORATION

UNICEF India's program is composed of six sectors: Health; Nutrition; Water, Environment and Sanitation; HIV/AIDS, Education; Child Protection. UNICEF's collaboration with the private sector includes multi-faceted partnership, supporting programs, cause-related marketing initiatives, employee-giving or volunteer programs, special events, greeting card sales, and emergency appeals.

The potential characteristics of UNICEF's and Samsung's partnership can be analyzed within Samsung's CSR goals and strategies. Advantages of entering partnership with UNICEF will then be explored. These will answer why or why not, or in what areas, Samsung needs to collaborate with UNICEF.

Program 1: Phone Services for Rural Customers

- Activities: Bangladeshi's Grameenphone type program

25) UNICEF, *Building Alliances for Children Summaries: UNICEF Guidelines and Manual for Working with the Business Community*, 2001

26) No alliance is accepted in some industries such as weapons sector, alcohol or tobacco etc.

Samsung can offer special low-priced but “quality”²⁷⁾ packages to rural vendors, targeting women with children in small rural villages where landlines do not exist. Vendor women take loans from microfinance institutions to buy a handset and a telecom subscription and receive training on how to operate it. Rural vendors earn income by sharing their phones with other residents and charging fees for calling. They can also buy and sell mobile phones with other women.

- Results: This project will empower women by increasing their earnings and accessibility to information such as services provided by the government and NGOs by simple telephone calling from their village. This will increase the market share of Samsung mobile sets, and net income from sheer volume. Samsung can also decrease distribution costs since they do not have to launch retail shops in the remote areas. Improving the lives of impoverished people with technology is relevant to Samsung’s core business; it also creates significant public good. This can be an alternative option for the Village Public Telephone service²⁸⁾ which has been unsuccessful.
- Partnership: Multi-faceted partnership including microfinance institutions, telecommunication company, NGOs, and UNICEF.
- The Role of UNICEF: UNICEF India has a wide network of accountable NGOs and microfinance institutions across the country. They can identify pioneer project sites and community-based organizations, and link Samsung with these grass-root organizations.
- Advantages: Strong synergy between business case, social gain and capacity. Being an important function of Samsung Business and addressing various stakeholders’ interests, reducing risk by collaborating with multi-parties.
- Disadvantages: Possible conflicts and disagreement between multi-partnerships.
- Metrics (Exhibit 6)

27) Quality is very important in order to survive in the price war with other international or domestic brands.

28) With public call offices, another Indian-specific service is the Village Public Telephone (VPT). This is the first phone in a village. By June 2005, 87% India’s 600,000 villages had been covered by VPTs. However, there is much debate about the quality and reliability of these VPTs and implementation and maintenance of these rural phones has been unsuccessful. BSNL reportedly lost Rs 90 billion between 2000 and 2002 on growing the number of VPTs.

Program 2: Products that Benefit UNICEF

- Activities: Samsung can link the company's sales campaign to UNICEF to involve consumers, raise sales, and enhance its corporate image. Samsung can donate proceeds from the sale of special mobile phones or TVs. Throughout India, it can launch campaigns in its retail stores or sponsored event places. UNICEF will receive a percentage of the retail price or a fixed amount negotiated with the company. A model of this case is IKEA, which donates the sales of teddy bears in 22 countries to UNICEF with "the rights to play" campaign.
- Results: UNICEF and the company can build partnerships with mutual benefits: UNICEF will be able to receive funds and the company could increase their sales if consumers are more inclined to buy products that benefit UNICEF. As the most respected child advocacy organization, UNICEF will ensure consumers that their donations will be effectively used.
- Partnership: Bilateral
- Advantages: Improving brand reputation and customer loyalty by aligning the world's leading children's organization and connecting UNICEF with the sales of products.
- Disadvantages: Cause-related marketing with UNICEF would work best when the company's products are for children such as Hello Kitty or Teddy Bear. Also, it is not clear whether consumers care enough to buy good cause related products. The other problem is that it is not easy to monitor where the collected will be appropriated.²⁹⁾
- Metrics (Exhibit 6)

Program 3: Signature Program

- Activities: Samsung can develop a signature program to consistently support a specific UNICEF program. For example, Samsung can join UNICEF's program to send working children back to UNICEF educational facilities, especially instituted for former child workers. Samsung can participate projects in the Noida or Tamil Nadu areas where Samsung operates. The partnership with UNICEF enables the local Samsung business units to team up with local

29) i.e., what percentage will be used in overhead in the headquarter and what % will directly go for beneficiaries

UNICEF offices and take advantage of each other's unique positions at a community level. Samsung's employees and company can contribute matching gifts to UNICEF, which will enable target number of child workers to resume primary education. Employee volunteers can create a corporate mentoring program for children in learning centers where they give on-site mentoring, provide English and computer skills training³⁰⁾ and donate TVs, computers or other educational gadgets. If the partnership is long enough, Samsung can follow up with the children. When children finish high school education with the help of mentoring, Samsung would have a pool of human resources and could selectively hire motivated young workers. Samsung can also refer these young people to their subsidiaries or suppliers.

- Results: Children dropping out of school and in the labor force would have multiple disadvantages in terms of their socioeconomic status. Helping these children in the area of education using Samsung's central products is well-aligned with UNICEF's values and programs.
- Advantages: It is convenient to implement the program because the company does not have to change other internal business practices. Since the company supports existing UNICEF programs, coherency of the signature program with other UNICEF projects is high which would in parts contribute to higher outcomes.
- Disadvantages: The biggest pitfall is that the program would not be translated into the internal business processes and therefore sustainability of the program is not guaranteed. As the traditional philanthropic model, this option has a weak linkage with the company's financial performance.
- Metrics (Exhibit 6)

According to this analysis, Program 1 is well suited to the criteria which the strategic triangle, drivers and CSR goal metrics lay out.

4. GENERAL STRENGTHS AND WEAKNESS OF UNICEF PARTNERSHIP

Strength

30) English and computer skills are essential as basic necessities to work at multi-national corporations.

In addition to the Samsung specific context, there are general points of consideration before entering partnering with UNICEF.

- **Accountability:** As an intergovernmental organization and the largest official organization advocating for children, UNICEF has credibility. Since it depends heavily on voluntary donations compared to other UN agencies, it makes accountability for donors
- **Visibility:** Reputation of UNICEF can be associated for a positive brand name.
- **Network and ability to coordination:** UNICEF has 194 field offices in the world and is able to leverage cross-sectoral partnerships with governments and grassroots organizations.
- **Sustainability:** Evidence-based UNICEF programs with many trials and errors will offer sustainable, cost effective programs that companies can rewarded with its support.
- **Administrative support:** There will be administrative support from corporate accounting managers from the corporate alliance team located in New York and Geneva.

Weakness

- Samsung would be just one of the many UNICEF partners (Exhibit 7)
- Partnership might be challenging with the conflicts of interests between parties. In addition, if projects or programs sites are far from where the company is located, it is hard to keep track of where and how their donation has been used. Another Korean company, LG, for example, changed their CSR practice due to this problem. They are no longer engaged with NGOs but work on their own. Delegating the whole of Samsung's CSR to UNICEF would disengage internal stakeholders.

Summarizing the analysis above, UNICEF can collaborate with Samsung by linking the firm with other grass-root partners, rather than UNICEF itself becomes a delegate of Samsung's entire CSR. Marrying to UNICEF will reduce Samsung's flexibility in pursuing their CSR goals to embed CSR into their corporate strategy discussed before. As seen in exemplary Program 1, Samsung can take advantage of wide cross-sectoral networks UNICEF has as a credible inter-government organization.

In turn, UNICEF can make their rural development projects for women with children more effective by inviting Samsung's resources and techniques along with other partners such as Indian government and NGOs.

IV. CONCLUSION

Many Korean companies practices CSR in an ad-hoc manner. Often, CSR is used to offset ethical concerns and criticism against the company. However, sustainable CSR models should focus on creating actual public values and having that fold back to produce business benefits.

Forming partnerships helps extend the ability of the company to transform a good development program into a good business in its special area of expertise. This paper studies in particular what are the characteristics of the best ally and how the alliance be designed to advance both UNICEF's and Samsung's mutual interests.

The performance of the partnership can be measured with the Balanced Scorecard.³¹⁾ The strategies, goals, measures, targets, and initiatives of CSR at Samsung and its potential partnership with UNICEF should be measured in four perspectives: financial, customer, innovation and learning, and international business perspectives (Exhibit 8).

As globally recognized company with its high-quality products, Samsung should be prepared to meet the international standards of corporate responsibility set by UN and ISP forthcoming in 2009. Working with UNICEF where their strategic triangles overlap would be a good first step toward these world standards.

V. APPENDICES

<Exhibit 1: Samsung's Business in India>

Samsung in India

31) and Norton, The Balanced Scorecard-Measures that Drive Performance, HBS, Jan. 1992

Samsung India is the hub for Samsung’s Southwest Asia Regional operations. The Southwest Asia Regional Headquarters looks after the Samsung business in Nepal, Sri Lanka, Bangladesh, Maldives and Bhutan besides India. Samsung India which commenced its operations in India in December 1995, today enjoys a sales turnover of over US\$ 1Bn in just a decade of operations in the country.

Headquartered in New Delhi, Samsung India has a network of 19 Branch Offices located all over the country. The Samsung manufacturing complex housing manufacturing facilities for color televisions, color monitors, refrigerators and washing machines is located at Noida, near Delhi. Samsung “Made in India” products like color televisions, color monitors and refrigerators are being exported to Middle East, CIS and SAARC countries from its Noida manufacturing complex.

Samsung India currently employs over 1,600 employees, with around 18% of its employees working in Research & Development.

Samsung’s state-of-the-art highly automated manufacturing facilities are located at the company’s sprawling Noida Complex. Enjoying the Number 1 position amongst all Samsung subsidiaries in terms of productivity and having been ranked as the subsidiary with the “Best Quality System,” Samsung India prides itself for its Manufacturing Value Innovation.

Manufacturing

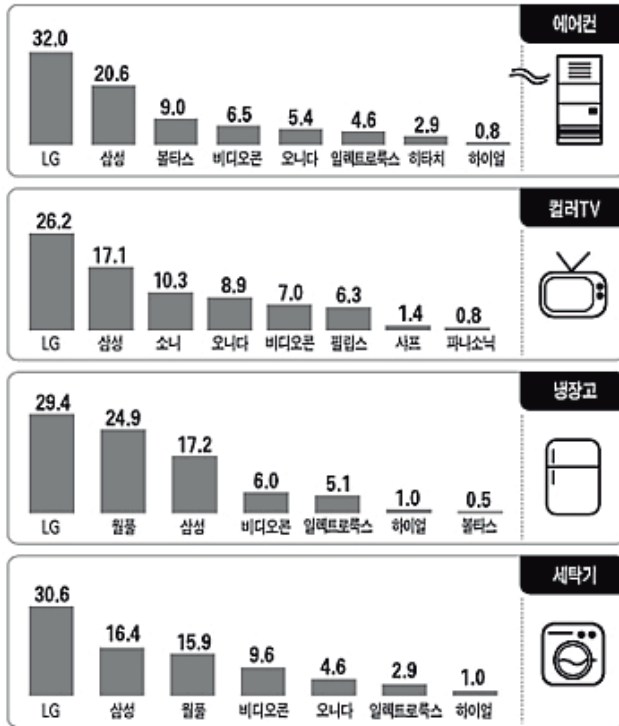
The manufacturing capacities of the Samsung products manufactured in India (as of Year 2004) are:

PRODUCT	CAPACITY	DETAILS
CTV	1.5 million	Curved & Flat TVs
Color Monitor	1.5 million	CRT & TFT LCD Monitor
Refrigerator	0.6 million	Frost-free and Conventional Refrigerators
Washing Machine	0.5 million	Fully Automatic and Semi Automatic
AC	0.4 million	Window and Split ACs

Samsung India is working with and contributing to the development of the domestic component industry in the country. The company is working with its partners to improve their product quality and processes. Thus, Samsung vendors are sent to different Samsung subsidiaries to meet the Samsung overseas vendors in order to benchmark their own processes. Samsung is also training its vendors on eco-partnership so that the components manufactured by them are “eco-friendly” as per ROHS norms.

Samsung's Market Share in the Consumer Appliance Market in India

업체별 인도 가전제품 시장 점유율
(단위:%)



<Exhibit 2: Samsung's Vision Statement>

Lee Kun-Hee, the Chairman of Samsung, has introduced and led CSR at Samsung Group since 1994. His vision statement is:

“First, the world is Samsung’s customer. Social contribution aimed at promoting happiness of humanity is not only an essential part of our management but also its core value. Samsung does its utmost to help the socially marginalized.

Second, merely enhancing the competitiveness of Samsung to an international level will not fulfill its ambition of becoming a leading player. The core of Samsung’s social contribution lies in a virtuous cycle in which the competitiveness of the community helps grow Samsung

Third, Samsung’s vision is to create a harmonious society. A win-win strategy is essential for achieving sustainable growth.”

- Lee Kun-Hee, Chairman

Samsung has been a pioneer in its CSR practices among Korean companies and is known for its active social contribution programs. Recently, Samsung has created a CEO of CSR position to ensure the group’s commitment to CSR.

According to Samsung India’s vision statement, it aims to grow in India by contributions to the Indian economy and making the lives of its consumers simpler, easier, and richer through its superior quality products.

“Our aim is to gain technological leadership in the Indian marketplace as our goal is to earn the love and respect of more and more of our Indian consumers.”

- Mr. S.H. President & CEO, Samsung Southwest Asia Regional Headquarters

<Exhibit 3-1: Samsung’s CSR programs>

(1) ‘DigitAll Hope’ program

Samsung runs the DigitAll Hope program to narrow the divide between the “computer literates” and the “computer illiterates.” This program supports organizations that promote the use of technology to improve the lives of youth, and empowers them and help bridge the “digital divide.” Samsung supported the “Hope Incubator Project,” by Development Alternatives, a Delhi-based NGO. The “Hope Incubator Project” created and implemented a fund designed to help young first-time entrepreneurs successfully run their own businesses. Modeled as a revolving fund, it was initially used to promote entrepreneurs in the districts of Bundelkhand, but has subsequently been extended to Punjab and other areas as well. This revolving fund is enabling dozens of local young entrepreneurs to service thousands of villagers, helping them to leap frog into the digital world.

(2) Employment for Disabled People

Samsung has also supported the National Centre for Promotion of Employment for Disabled People

(NCEPDP) in providing scholarships to brilliant disabled students and setting up the Disability Placement Unit, which handholds and mentors hundreds of disabled people in need of jobs.

(3) Education for School Children

Samsung firmly believes in supporting education and regularly organizes “Factory Visits for School Children” to the manufacturing facility at Noida as well as educational quiz programs for school children.

(4) Sports

The company set up an Olympic Fund through which it provided scholarships to five top Indian athletes as they prepared for the Athens Olympics. Samsung sponsors the Indian contingent to the Olympics and the Asian Games. In addition, Samsung has been actively associated with promoting popular domestic sports such as cricket. It also brings every year the World Cyber Games. Sports sponsorship has been used as a marketing tool to convey Samsung’s brand image, stressing its global citizenship.

(5) Environment

Samsung train its vendors on eco-partnership³²⁾ so that the components manufactured by them can meet strict environmental standards. Samsung is currently running “green procurement system” in cooperation with their supplies in an effort to control the use of specific chemicals in parts and raw materials.

<Exhibit 3-2: LG’s CSR programs>

LG-Based on Interview with Ashok Kumar, CSR manager in the Human Resource Department.

- CSR goals: LG has a clear goal in viewing CSR. They have an entirely different, needs-based model; their goals is not PR but doing a good thing within their capacity. They make it clear that there is nothing idealistic about LG’s CSR vision, nor is it in conflict with hard-headed business sense. It is purely an understanding on LG’s part that the time, resources and in-house professional expertise invested in social development projects pay rich dividends to

32) Eco-partner means certified suppliers those can supply eco-friendly parts and have an environmental system.

the company and the communities in which it operates. Therefore at LG the message is that creating profits can and should go hand-in-hand with generating good will.

- CSR program: LG asked villagers in Noida where they have a factory about what they want LG to do for them. Village people are poor and don't have medical facilities, so they wanted hospitals. LG think that taking care of village people where they are located brings the greatest social value. LG created a hospital in village where there is no health care system, and a team of doctors who go around to the hospitals weekly. A low-cost structure, free consulting, and hospitals are already there; thus, just need to use money set aside for CSR.

- Advantages of the current program:
 - o It is easy to monitor LG's internal medical teams rather than working with external NGO partners.

 - o Since the hospital is close, employees can participate as volunteers.

 - o The cost structure is low because LG already has a hospital facility and medical teams

<Exhibit 3-3: Hyundai's CSR programs>

Hyundai

Hyundai Motor India Foundation

Hyundai Motor India Limited (HMIL) launched "Hyundai Motor India Foundation (HMIF)," a public charitable trust in 2006. The first trustees of HMIF are Managing Director, HMIL, President, HMIL, Executive Director (Administration), HMIL and Legal Advisor, HMIL. The trust will get the direct funding from Hyundai Motor India (HMI) only. In addition to this HMI plan to contribute Rs 100/- of each car sale to HMIF funds.

Objectives of Hyundai Motor India Foundation (HMIF)

To promote, establish, support, maintain or grant aid in cash or in kind directly, and/or through partnership programs and/or through community initiatives to all public charitable purposes for the benefit of the poor, needy, underprivileged, socially backward and the overall benefit of the general public without any distinction as to creed, caste, sex or color. It is expressly declared that

the public charitable purpose in law is without limitation to the objectives detailed herein below and all provisions hereof shall be construed accordingly. No activities of the Trust shall be carried out outside India.

Programs

(i) Health Care

It will benefit the overall general public by preventive and curative health care programs, related medical research and training programs, including awareness and campaign programs through hospitals, medical schools, colleges, universities, institutions etc.

(ii) Education & Vocational Training

It will benefit the overall general public by providing quality primary, secondary and higher education, vocational training, life skills education, scholarships, related research and training programs, including awareness and campaign programs through schools, colleges, universities and institutions, governmental and non-governmental organizations, conduct of conventions, symposiums and guest lectures.

(iii) Environment

It will benefit the overall general public by promoting a pollution free environment through, related research and training programs, including awareness and campaign programs, protection of biodiversity in national parks, reserve forests, sanctuaries, and the like, through schools, colleges, universities and institutions, governmental and non-governmental organizations, conduct of conventions, symposiums, guest lecturers and campaign programs.

(iv) Road Safety

It will benefit the overall general public by road safety programs, related research and training programs, including awareness and campaign programs through schools, colleges, universities, institutions, etc.

(v) Arts, Science & Technology

It will benefit the overall general public by science and technology, promoting performing arts and

crafts, architecture, culture, heritage and cuisine, related research and training programs, including awareness and campaign programs through schools, colleges, universities, etc.

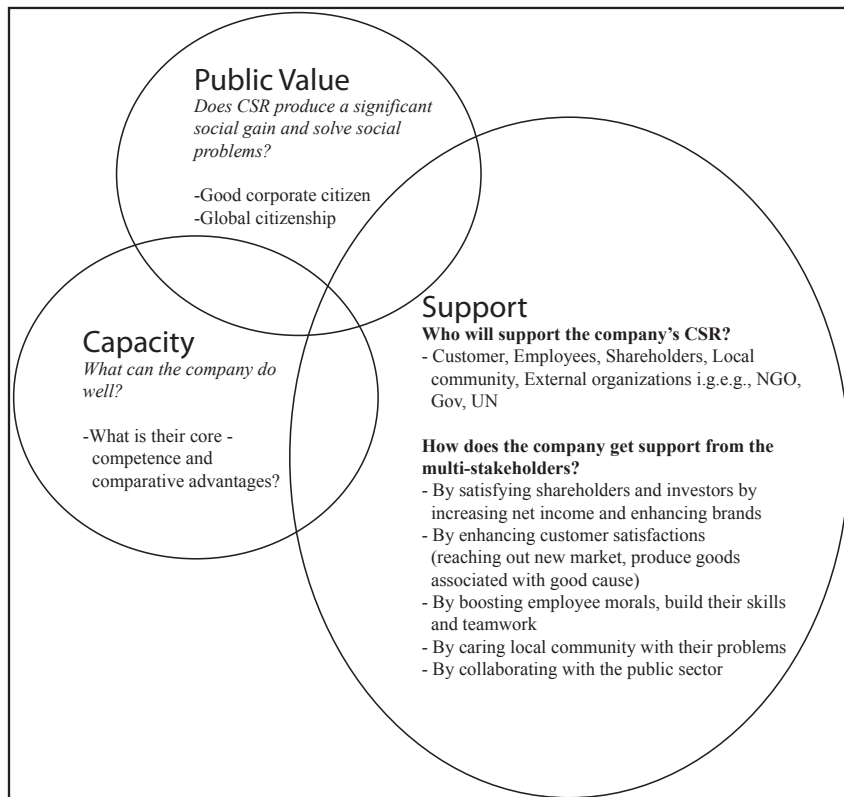
(vi) Natural Calamities and Disasters

It will benefit the overall general public by granting relief assistance to the victims during natural calamities and not limited to calamities such as famine, earth quake, flood, fire, pestilence, etc., through institutions, governmental and non-governmental organizations, conduct of conventions, symposiums and guest lectures.

(vii) Donor Activity

To render assistance, or grant aid in cash or in kind to increase the effectiveness of the private, public, non-governmental and governmental donors in grant making efforts and to encourage new donor activity for the poor, needy and for the overall benefit of the general public in India.

<Exhibit 4: The Strategic Triangle>



<Exhibit 5: Traditional Views on CSR>

Traditional views on CSR as solely philanthropic goal, businesses tools or public relations are limited in many ways. First of all, CSR is not just charity because company is not solely public-value driven but profit-driven. On the other hand, the perspective of taking CSR as a business tools also limited because it is not easy to find a strong link between CSR and tangible business gains such as revenue growth or brand development. CSR is about expenditures while profit making is about revenue, so too often two objectives look self-contradictory. There are not many evidence that customers are fully aware of a company’s CSR activities, care enough about an socially responsible products and change their purchasing behavior based on this information. There seems to be too many variables that affect purchasing decision of consumers to attribute increasing sales to CSR.

<Exhibit 6: Metrics>

Program 1

BUSINESS CASE	<ul style="list-style-type: none"> • Product Development-New robust products for harsh conditions • New delivery formats • Profitability: Small margin but large volume • Tax break
STAKEHOLDERS' INTERESTS	Shareholders, Investors, Customers, Local Community, Government, International community
INTEGRATION TO THE REST OF COMPANY	It is being part of critical internal processes involving sales, marketing, corporate strategy, human resource, PR and communications departments
SOCIAL GAIN	<ul style="list-style-type: none"> • Reduce poverty by increasing earnings for low-income mothers and children • Increase access to information and technology that lift the quality of their lives • Diminish the role of governments and international aids • Resolve global overheating competition in Tiers 1,2, and 3 market
Capacity	Related to their core business
UNICEF's Role	<ul style="list-style-type: none"> • Connect Samsung with local NGOs • Utilize wider field offices (90% of UNICEF staff members are stationed in the field where programs are implemented.) • Coordinate the multi-faceted partnership

Program 2

BUSINESS CASE	<ul style="list-style-type: none"> • Boosting sales of a specific products but with low margin • Strengthen brand power and customer loyalty • Tax Credit
STAKEHOLDERS' INTERESTS	<ul style="list-style-type: none"> • Shareholders, Investors, Customers, International organization • Not much engagement of internal employees
INTEGRATION TO THE REST OF COMPANY	<ul style="list-style-type: none"> • Partially • Can be integrated into a company's public affairs, philanthropic, marketing and communication strategies.
SOCIAL GAIN	<ul style="list-style-type: none"> • Social gains depending on whether UNICEF's programs have long-term and sustainable outcomes coupled with cost-effectiveness.
Capacity	<ul style="list-style-type: none"> • Related to the company's core business
UNICEF's Role	<ul style="list-style-type: none"> • Offer communication and PR support through the following areas: Well- known ambassadors and supporters of UNICEF, global and national communications networks, websites, donor magazines, and newsletters • Help design holistic and integrated marketing platforms • Give permission to use UNICEF logo to the company and in return receive donations

Program 3

BUSINESS CASE	<ul style="list-style-type: none"> • Developing skilled future workers, but without significant and long-term commitment, it is very challenging to continue tracking down program participants and providing them with employment opportunities • There will be quality assurance problems (Are these children equipped with appropriate skills that the company requires?) • Tax credits for grantst
STAKEHOLDERS' INTERESTS	<ul style="list-style-type: none"> • Customers, Employees, International Organizations • Not strong engagement of stakeholders
INTEGRATION TO THE REST OF COMPANY	<ul style="list-style-type: none"> • Limited • Social programs are likely to be operated separately and only few departments or employees will be interested in participating the programs • In times of economic downturn, the program will be at risk without demonstrated leadership from the top
SOCIAL GAIN	<ul style="list-style-type: none"> • Protecting child labor and restoring children's rights to basic education • Coherent to UNICEF's overall program and initiatives so that it can increase impacts to the target population
Capacity	<ul style="list-style-type: none"> • Utilize Samsung's products • But not strongly aligned with its technical expertise
UNICEF's Role	<ul style="list-style-type: none"> • Interact with Samsung to design signature programs to leverage their skills and assets in the area where UNICEF needs assistance to meet the pressing needs of children

<Exhibit 7: UNICEF's Corporate Partners List >

Below is a list of corporations who have partnered with UNICEF since 2003 with contributions valued over US\$100,000.

The content of this list has been compiled according to the stated criteria and will be updated regularly. The mention of names of specific companies or products does not imply any intention to infringe proprietary rights, nor should it be construed as an endorsement or recommendation on the part of UNICEF.

A-B

- o Aaron Basha
- o Accenture
- o Adobe Systems Incorporated
- o AEON Co., Ltd.
- o Aer Lingus
- o Agence de l'eau Loire Bretagne
- o Agos Itafinco
- o Alberto-Culver
- o Alix Partners
- o Allianz Portugal, S.A.
- o American Airlines
- o Amway Europe
- o Aqua for All
- o Association des Professionnels du Jouet
- o Aviall
- o Avon Foundation
- o Axa
- o Banc Internacional Banca Mora
- o Banco Itau
- o Bank of America
- o Barclays Bank of Kenya, Ltd.
- o Baxter International

- o BD (Becton, Dickinson and Company)
- o Beiersdorf Portuguesa, Lda.
- o Beiersdorf S.A.
- o Best Western International
- o Biotherm
- o BP Foundation (British Petroleum)
- o B-R 31 Ice Cream Co., Ltd.
- o British Airways

C-E

- o Caisse d' Epargne
- o Caixa Geral de Depósitos
- o Caja Madrid
- o Cartoon Network
- o Casa & Ideas
- o Cathay Pacific Airways Limited
- o Cemoi
- o Century 21
- o Chat Le'lu
- o CIBC
- o CIBC WorldMarkets
- o Citibank, N.A.
- o Clairefontaine
- o Coach, Inc.
- o Coca-Cola
- o Comercial Mexicana
- o Computer Associates
- o Comunicaciones Nextel de México
- o Conad
- o Confesercenti
- o Cravath, Swaine & Moore LLP
- o Delta Airlines

- o Diners Club International
- o Djoser
- o Dollar General
- o Dresdner Bank
- o Electronic Arts
- o Elite Hotels of Sweden
- o Emirates Airline
- o EMI Records Limited
- o ENI
- o Esselunga
- o ExxonMobil

F-H

- o Fater Spa
- o Festival de Cannes
- o Feyenoord
- o Finnair
- o Foxy - Industrie Cartare Tronchetti
- o FTSE
- o Fundacion Coca Cola
- o General Electric
- o General Mills
- o GlaxoSmithKline
- o Global Impact
- o Greek Cultural Olympiad
- o Grefusa, S.L.
- o Groupama
- o Groupe Bel
- o Groupe CIC
- o GSM Association
- o Guineys
- o H&M (Hennes and Mauritz)

- o Hearst Corporation
- o Holt Renfrew
- o Honda Motor Company Ltd.
- o Hostelworld
- o HSBC Bank
- o HT - Hrvatske telekomunikacije
- o Hugo Neu Corporation
- o Hummingbird

I-L

- o IKEA
- o InterContinental Hotels
- o Intertainment/Weltbild
- o IONA plc
- o Island People
- o JC Decaux
- o Johnson & Johnson Family of Companies/McNeil Consumer Healthcare
- o Johnson Controls
- o JP Morgan Chase
- o Kesko
- o Key Foundation
- o Kimberly-Clark
- o KLM
- o Kobayashi Pharmaceutical Co., Ltd.
- o Kodak
- o La Repubblica
- o Leaf
- o LucasFilm

M-O

- o Maison du lait/Syndilait
- o Manchester United
- o Marathon Oil
- o MasterCard International
- o MCI
- o Merck & Co., Inc.
- o Microsoft Corporation
- o Mondo Home Entertainment srl
- o Montblanc Company
- o New World Development Company
- o Newman's Own
- o Nice Matin
- o Nokia
- o Norseland, Inc.
- o Nortel Networks
- o OMV
- o Orange
- o Overland

P-S

- o Pacific Life Insurance Company
- o Palm, Inc.
- o Payback
- o Pfizer, Inc.
- o Pharmacies
- o Pier 1 Imports
- o Pinocchio Photo Studio Co., Ltd.
- o Pixmania
- o Polizia
- o PriceWaterhouseCoopers

- o Procter & Gamble
- o Profuturo
- o Pulte Homes
- o Qantas
- o Ratiopharm
- o Reader's Digest
- o Reebok International Ltd.
- o Renault
- o RGE - Rio Grande Energia
- o Rhodia
- o RWE
- o Sanrio, Inc.
- o SEB - Skandinaviska Enskilda Banken AB
- o SFR et Cegetel
- o Siemens
- o SIG Combibloc
- o Sincor
- o Starwood Hotels & Resorts Worldwide, Inc.
- o Stiefel Mexicana, S.A. de C.V.
- o Stora Enso
- o Sugarlady Co., Ltd.
- o Sumitomo Mitsui Card Co., Ltd.

T-Z

- o TAP Pharmaceutical
- o TD Canada Trust
- o Technip France
- o Tfl Editions
- o Thales
- o The Pier
- o Tim Hortons
- o Time Warner

- o Total
- o Toyota
- o Travelex Foreign Coin Services
- o Trizec Properties, Inc.
- o Turner Broadcasting Systems, Inc.
- o Unilever Canada
- o UNIMA
- o United International Pictures
- o Universal Music
- o Verizon
- o Vinci
- o VISA
- o Vodafone Group Foundation
- o Vodafone K.K.
- o web.de

<Exhibit 8: Balanced Score Card with Program 1>

Balanced Score Card for Samsung and UNICEF		
	Objective	Measure
<i>Financial</i> How do we look to share holders?	• Survive	• Cash flow • Reducing distribution and transaction cost
	• Success	• Increased market share in the rural market
	• Grow Revenue	• Quarterly sales growth and increased market share • Profitability
<i>Customer</i> How do customers see us?	• New customer population	• % of sales from new products and the new market
	• Customer Partnership	• # of vendors enrolled
	• Customer Satisfaction	• Customer rating survey and Tailoring local solutions customer satisfaction index
	• Brand reputation	• # of positive citations in media • Increased income and purchasing power
	• Creating buying power	• Increased demands for energy efficient and durable products
	• Consumer education	• Demand for environmental-friendly, high- technology and good cause related products
<i>Internal</i> What must we excel at?	• New product introduction	• % of sales from new products
	• Manufacturing	• Manufacturing capacity to bring down costs and pushing up quality
<i>Learning and Growth</i> Can we continue to improve and create value?	• Technology leadership	• Time to develop innovate products
	• Bottom up innovation	• Combining local capabilities and market knowledge with global best practices
	• Team building	• Employee turnover
	• Employee skills building	• # & types of skills building programs